

**REPORT OF THE AUDIT OF THE
MONROE COUNTY
FISCAL COURT**

**For The Fiscal Year Ended
June 30, 2004**



**CRIT LUALLEN
AUDITOR OF PUBLIC ACCOUNTS
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EXECUTIVE SUMMARY

AUDIT EXAMINATION OF THE MONROE COUNTY FISCAL COURT

June 30, 2004

The Auditor of Public Accounts has completed the audit of the Monroe County Fiscal Court for fiscal year ended June 30, 2004. We have issued unqualified opinions, based on our audit on the governmental activities, business-type activities, each major fund, and the aggregate discretely presented component unit and remaining fund information of Monroe County Fiscal Court.

Financial Condition:

The fiscal court had net assets of \$3,682,443 as of June 30, 2004. The fiscal court had unrestricted net assets of \$1,340,756 in its governmental activities as of June 30, 2004, with total net assets of \$3,669,233. In its enterprise fund, total net cash and cash equivalents were \$13,210, which equaled total net assets. The discretely presented component unit had total net assets of \$5,979 as of June 30, 2004. The discretely presented component unit had net cash and cash equivalents of \$6,909. The fiscal court had total debt principal as of June 30, 2004 of \$5,934 with \$5,000 due within the next year.

Deposits:

The fiscal court and component unit's deposits were insured and collateralized by bank securities.

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CRIT LUALLEN
AUDITOR OF PUBLIC ACCOUNTS

To the People of Kentucky
Honorable Ernie Fletcher, Governor
Robbie Rudolph, Secretary
Finance and Administration Cabinet
Honorable Wilbur Graves, Monroe County Judge/Executive
Members of the Monroe County Fiscal Court

Independent Auditor's Report

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate discretely presented component unit and remaining fund information of Monroe County, Kentucky, as of and for the year ended June 30, 2004, which collectively comprise the County's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the Monroe County Fiscal Court. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Monroe County Recreation, Tourist, and Convention Commission, a discretely presented component unit, which represents 8 percent and 5 percent, respectively, of the assets and revenues of the aggregate discretely presented component unit and remaining fund information. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and in our opinion, insofar as it relates to the amounts included for the Monroe County Recreation, Tourist, and Convention Commission, is based on the report of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for Fiscal Court Audits issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As described in Note 1, Monroe County, Kentucky, prepares its financial statements on a prescribed basis of accounting that demonstrates compliance with the modified cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. However, the financial statements of Monroe County Recreation, Tourist, and Convention Commission, a discretely presented component unit, have been prepared under accounting principles generally accepted in the United States of America, which is inconsistent with the basis of accounting Monroe County, Kentucky, uses to prepare its financial statements.

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate discretely presented component unit and remaining fund information of Monroe County, Kentucky, as of June 30, 2004, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with the basis of accounting described in Note 1.



To the People of Kentucky
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The county has implemented Governmental Accounting Standards Board Statements 33, 34, and 37 as they relate to the modified cash basis of accounting as described in Note 1, which has altered the format and content of the basic financial statements.

The management's discussion and analysis and budgetary comparison information are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Monroe County, Kentucky's basic financial statements. The accompanying supplementary information, and combining fund financial statements are presented for additional analysis and are not a required part of the basic financial statements. The combining fund financial statements have been subjected to the auditing procedures applied by us in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

In accordance with Government Auditing Standards, we have also issued our report dated June 23, 2005, on our consideration of Monroe County, Kentucky's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Respectfully submitted,



Crit Luallen
Auditor of Public Accounts

Audit fieldwork completed -
June 23, 2005

MONROE COUNTY OFFICIALS

For The Year Ended June 30, 2004

Fiscal Court Members:

Wilbur Graves	County Judge/Executive
Danny Burgess	Magistrate
Roger Turner	Magistrate
Sam Maxie Harlan	Magistrate
Tommy Page	Magistrate
Jeff Proffitt	Magistrate

Other Elected Officials:

Wesley Stephens	County Attorney
Freddie Kirkpatrick	Jailer
Teresa Sheffield	County Clerk
Joyce Emberton	Circuit Court Clerk
Jerry Gee	Sheriff
Louis Carter	Property Valuation Administrator
Jackie Walden	Coroner

Appointed Personnel:

Sheryl Conkin	County Treasurer
Cathy Page	Occupational Tax Collector

WILBUR GRAVES
Monroe County Judge Executive
200 N. Main Street – Suite C
Tompkinsville, KY 42167-1548

Management's Discussion and Analysis
June 30, 2004

The financial management of Monroe County, Kentucky offers readers of Monroe County's financial statements this narrative overview and analysis of the financial activities of Monroe County for the fiscal year ended June 30, 2004. We encourage readers to consider the information presented here in conjunction with other information that we have furnished in our financial statements and the notes to the financial statements.

Financial Highlights.

- Monroe County had net assets of \$3,682,443 as of June 30, 2004. The fiscal court had unrestricted net assets of \$1,340,756 in the governmental activities as of June 30, 2004. In the enterprise fund, cash and cash equivalents were \$13,210, which equaled total assets. Total debt for governmental activities as of June 30, 2004 was \$5,934 with \$5,000 due within one year.
- The governmental activities total net assets increased by \$838,571 from the prior year, due to capital assets previously not reported.
- At the close of the current fiscal year, Monroe County governmental funds reported current assets of \$1,452,481. Of this amount, \$1,316,556 is available for spending at the government's discretion (unreserved fund balance).
- Monroe County's total indebtedness at the close of fiscal year June 30, 2003 was \$5,934 of which \$934 is long-term debt (due after 1 year) and \$5,000 is short-term debt (to be paid within 1 year).

Overview of the Financial Statements.

This management discussion and analysis is intended to serve as an introduction to Monroe County's basic financial statements. Monroe County's basic financial statements are comprised of three components: 1) government wide financial statements; 2) fund financial statements; and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

GASB 34 requires management to include certain comparison schedules when they are available. The schedules include prior and current comparisons of general revenues by major source, and program expenses by function. This is the first year of implementation and these schedules will be presented next year.

Government-wide Financial Statements. The *government-wide financial statements* are designed to provide readers with a broad overview of Monroe County's finances, in a manner similar to a private-sector business.

**Monroe County
Management's Discussion and Analysis
June 30, 2004
(Continued)**

Government-wide Financial Statements. (Continued)

The *Statement of Net Assets* presents information on Monroe County's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of Monroe County is improving or deteriorating.

The *Statement of Activities* presents information showing how the government's net assets changed during the fiscal year. All changes in net assets are reported on a modified cash basis of accounting. Basis of accounting is a reference to when financial events are recorded, such as timing for recognizing revenues, expenses, and related assets and liabilities.

Under the county's modified cash basis of accounting, revenues and expenses and related assets and liabilities are recorded when they result from a cash transaction, except for the recording of depreciation expenses on capital assets in the government-wide financial statements for all activities and in the fund financial statements for the proprietary fund activities.

As a result of the use of the modified cash basis of accounting, certain assets and their related revenues (such as amounts billed for services provided, but not collected) and accounts payable (expenses for goods and services received but not paid) or compensated absences are not recorded.

Both of the government-wide financial statements distinguish functions of the County that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or significant portion of their costs through user fees and charges (*business-type activities*). Monroe County's governmental activities include general government, protection to persons and property, roads, recreation, general health and sanitation, social services, airport, capital projects, and administration. Monroe County has one business type activity - Jail Canteen.

The government-wide financial statements include not only Monroe County itself (known as the primary government), but also legally separate entities, which have a significant operational or financial relationship with the County. Monroe County has one such entity described as a Discretely Presented Component Unit – Monroe County Recreation, Tourist, and Convention Commission.

Fund Financial Statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Monroe County, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with legal and statutory requirements. All of the funds of Monroe County can be divided into broad categories: *governmental funds and proprietary funds*.

Governmental Funds. Governmental funds are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on current inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

**Monroe County
Management's Discussion and Analysis
June 30, 2004
(Continued)**

Governmental Funds. (Continued)

Because of focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's current financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

Monroe County maintains (6) six individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances.

Major Funds:

- General Fund
- Road and Bridge Fund
- Jail Fund

Non-major Funds:

- Local Government Economic Assistance Fund
- Grants Fund
- Monroe County Fire and Rescue Squad

Monroe County adopts an annual appropriated budget. A budgetary comparison statement has been provided for the General Fund, Road and Bridge Fund, and Jail Fund to demonstrate compliance with their budgets.

Proprietary Funds. Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Jail Canteen Fund.

Component Unit Financial Statements. As mentioned above, component units are operations for which the County has some financial accountability, but also have certain independent qualities as well. Component Units operate similarly to private sector businesses. The government-wide financial statements present information for the component unit within a single column on the statement of net assets and statement of activities.

Notes to the Financial Statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

**Monroe County
Management's Discussion and Analysis
June 30, 2004
(Continued)**

Net Assets. As noted earlier, net assets may serve over time as a useful indicator of a government's financial position.

**Table 1
Monroe County's Net Assets**

	Governmental Activities		Business-type Activities		Total	
	2003	2004	2003	2004	2003	2004
Assets						
Current and other assets	889,855	1,452,481	4,748	13,210	894,603	1,465,691
Capital assets	1,951,741	2,222,686			1,951,741	2,222,686
Total Assets	2,841,596	3,675,167	4,748	13,210	2,846,344	3,688,377
Liabilities						
Current and other liabilities	5,000	5,000			5,000	5,000
Long-term liabilities	5,934	934			5,934	934
Total Liabilities	10,934	5,934	0	0	10,934	5,934
Net Assets						
Invested in capital assets, net of related debt	1,940,807	2,216,752			1,940,807	2,216,752
Restricted	0	111,725				111,725
Unrestricted	889,855	1,340,756	4,748	13,210	894,603	1,353,966
Total Net Assets	2,830,662	3,669,233	4,748	13,210	2,835,410	3,682,443

Changes in Net Assets.

Governmental Activities. Monroe County's net assets increased by \$838,571 in fiscal year 2004. Key elements of this are as follows:

- Current assets and cash increased \$562,626.
- Investment in capital assets and infrastructure, net of related debt increased \$275,945 due to inclusion of fiscal year 2004 road resurfacing and various equipment purchased.

Business-type Activities. Monroe County's net assets increased by \$8,462 in fiscal year 2004. Key elements are as follows:

- Current assets and cash increased by \$8,462.

**Monroe County
Management's Discussion and Analysis
June 30, 2004
(Continued)**

Financial Analysis of the County's Funds.

As noted earlier, Monroe County uses fund accounting to ensure and demonstrate compliance with legal and statutory requirements.

Governmental Funds Overview. The focus of Monroe County governmental funds is to provide information on current inflows, outflows, and balances of spendable resources. Such information is useful in assessing the County's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of June 2004 fiscal year, the combined ending fund balances of County governmental funds were \$1,452,481. Approximately 91% (\$1,316,556) of this consists of unreserved fund balance, which is available as working capital and for current spending in accordance with the purposes of the specific funds. The remainder of fund balance (\$135,925) is reserved to indicate that it is not available for new spending because it is committed for the various encumbrances and grants.

The County has (3) three major governmental, and (3) three non-major funds.

Major Funds

- General Fund
- Road and Bridge Fund
- Jail Fund

Non-major Funds

- Local Government Economic Assistance Fund
- Grants Fund
- Monroe County Fire and Rescue Squad

1. The General Fund is the chief operating fund of Monroe County. At the end of June 30, 2004 fiscal year, unreserved fund balance of the General Fund was \$492,350 while total fund balance was \$504,350. The County received \$892,370 in real and personal property, motor vehicle, and other taxes for approximately 56% of the county's general revenues. Various other service fees and miscellaneous revenues contribute to the remaining 44% of revenues.
2. The Road and Bridge Fund is the fund related to County road and bridge construction and maintenance. At the end of June 30, 2004 fiscal year, unreserved fund balance of the Road and Bridge Fund was \$765,923 while total fund balance was \$878,632. The fiscal year 2004 expenditures for the Road and Bridge Fund were \$924,134.
3. The Jail Fund is used to account for the operation of the County's detention program. At the end of June 30, 2004 fiscal year, unreserved fund balance of the Jail Fund was \$33,066 while total fund balance was \$38,266. The Jail Fund received \$82,783 for intergovernmental fees, primarily for housing prisoners. The General Fund contributed \$220,000 to the jail operations.
4. The Local Government Economic Assistance Fund had a fund balance of \$16,168 as of June 30, 2004, a decrease of \$1,454 over the previous fiscal year end.

**Monroe County
Management's Discussion and Analysis
June 30, 2004
(Continued)**

Financial Analysis of the County's Funds. (Continued)

Governmental Funds Overview. (Continued)

5. The Grants Fund had a fund balance of \$6,016 as of June 30, 2004 and is used to account for federal or state monies received. The County received \$114,104 in funds for various projects.
6. The Monroe County Fire and Rescue Squad Fund had a balance of \$9,049 as of June 30, 2004.

Proprietary Funds Overview. The County's proprietary fund statements provide the same type of information found in the government-wide statements, but in more detail.

Monroe County has (1) one enterprise-type proprietary fund, it is:

- Jail Canteen Fund

The Jail Canteen Fund's unrestricted net assets at the end of June 30, 2004 fiscal year, amounted to \$13,210, which equaled total assets.

General Fund Budgetary Highlights.

Monroe County's budget was amended during the fiscal year increasing the budgeted amount by \$100,000. Budget amendments were made to various expenditures due to grants awarded in the fiscal year and an increase in actual tax revenue.

Actual revenues were \$368,876 short of the budget. This variance was due to Intergovernmental Revenue. Anticipated grant money had not been received as of June 30, 2004.

Capital Assets and Debt Administration.

Capital Assets. Monroe County's investment in capital assets for its governmental activities as of June 30, 2004, amount to \$2,222,686 (net of accumulated depreciation). This investment in capital assets includes land, buildings, machinery and equipment, vehicles, and current infrastructure additions. Monroe County has elected to report infrastructure assets per GASB 34 provisions.

Major capital asset events during the 2004 fiscal year included road resurfacing and the purchase of several vehicles and other equipment.

Additional information of the County's capital assets can be found in Note 3 of this report.

**Monroe County
Management's Discussion and Analysis
June 30, 2004
(Continued)**

Capital Assets and Debt Administration. (Continued)

Capital Assets. (Continued)

**Table 2
Monroe County's Capital Assets, Net of Accumulated Depreciation**

	Governmental Activities		Business-type Activities		Total	
	2003	2004	2003	2004	2003	2004
Infrastructure Assets	0	353,903	0	0	0	353,903
Land	32,200	32,200	0	0	32,200	
Buildings and Improvements	1,459,651	1,413,493	0	0	1,459,651	1,413,493
Other Equipment	230,571	208,567	0	0	230,571	208,567
Vehicles and Equip.	229,319	214,523	0	0	229,319	214,523
Total Net Capital Assets	1,951,741	2,222,686	0	0	1,951,741	2,222,686

Long-Term Debt. At the end of the 2004 fiscal year, Monroe County had total debt outstanding of \$5,934 related to a financing obligation.

Other Matters. The following factors are expected to have a significant effect on the County's financial position or results of operations and were taken into account in developing the 2005 fiscal year budget:

- The 2005 fiscal year adopted budget continues most services at current levels.
- Economic factors indicate continue growth for Monroe County.

Requests For Information.

This financial report is designed to provide a general overview of Monroe County's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this or requests for additional financial information should be addressed to the Monroe County Treasurer, 200 N. Main Street, Suite C, Tompkinsville, KY 42167.

Questions concerning the audit report of the Monroe County Recreation, Tourist, and Convention Commission should be addressed to, 202 North Magnolia Street, Tompkinsville, KY 42167.

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**MONROE COUNTY
STATEMENT OF NET ASSETS - MODIFIED CASH BASIS**

June 30, 2004

MONROE COUNTY
STATEMENT OF NET ASSETS - MODIFIED CASH BASIS

June 30, 2004

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Totals	Monroe County Recreation, Tourist and Convention Commission
ASSETS				
Current Assets:				
Cash and Cash Equivalents	\$ 1,452,481	\$ 13,210	\$ 1,465,691	\$ 6,909
Total Current Assets	1,452,481	13,210	1,465,691	6,909
Noncurrent Assets:				
Capital Assets - Net of Accumulated Depreciation				
Land and Land Improvements	32,200		32,200	
Buildings	1,413,493		1,413,493	
Other Equipment	208,567		208,567	
Vehicles and Equipment	214,523		214,523	
Infrastructure Assets - Net of Depreciation	353,903		353,903	
Total Noncurrent Assets	2,222,686		2,222,686	
Total Assets	3,675,167	13,210	3,688,377	6,909
LIABILITIES				
Current Liabilities:				
Financing Obligations Payable	5,000		5,000	
Accounts Payable				930
Total Current Liabilities	5,000		5,000	930
Noncurrent Liabilities:				
Financing Obligations Payable	934		934	
Total Noncurrent Liabilities	934		934	
Total Liabilities	5,934		5,934	930
NET ASSETS				
Invested in Capital Assets, Net of Related Debt				
	2,216,752		2,216,752	
Restricted For:				
Grant Projects	111,725		111,725	
Unrestricted	1,340,756	13,210	1,353,966	5,979
Total Net Assets	\$ 3,669,233	\$ 13,210	\$ 3,682,443	\$ 5,979

The accompanying notes are an integral part of the financial statements.

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MONROE COUNTY
STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS
For The Year Ended June 30, 2004

MONROE COUNTY
STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS

For The Year Ended June 30, 2004

Functions/Programs Reporting Entity	Expenses	Charges for Services	Operating Grants and Contributions
Primary Government:			
Governmental Activities:			
General Government	\$ 918,787	\$ 16,746	\$ 108,999
Protection to Persons and Property	451,540	10,029	531,760
General Health and Sanitation	519,258		92,158
Social Services	9,721		91,815
Recreation and Culture	13,162		
Roads	579,648		1,464,157
Airports	3,000		
Capital Projects	4,164		
Total Governmental Activities	2,499,280	26,775	2,288,889
Business-type Activities:			
Jail Canteen Fund	27,865	36,327	
Total Business-type Activities	27,865	36,327	
Total Primary Government	\$ 2,527,145	\$ 63,102	\$ 2,288,889
Component Unit:			
Monroe County Recreation, Tourist, and Convention Commission	\$ 14,700	\$ 0	\$ 0

General Revenues:

Taxes:

Real Property Taxes

Personal Property Taxes

Motor Vehicle Taxes

Other Taxes

Excess Fees

Miscellaneous Revenues

Interest Income

Total General Revenues

Change in Net Assets

Net Assets - Beginning (Restate

Net Assets - Ending

The accompanying notes are an integral part of the financial statements.

MONROE COUNTY
STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS
For The Year Ended June 30, 2004
(Continued)

Net (Disbursements) Receipts and Changes in Net Assets			
Primary Government			Component Unit - Monroe County Recreation, Tourist, and Convention Commission
Governmental Activities	Business-Type Activities	Totals	
\$ (793,042)	\$	\$ (793,042)	\$
90,249		90,249	
(427,100)		(427,100)	
82,094		82,094	
(13,162)		(13,162)	
884,509		884,509	
(3,000)		(3,000)	
(4,164)		(4,164)	
(183,616)		(183,616)	
	8,462	8,462	
	8,462	8,462	
\$ (183,616)	\$ 8,462	\$ (175,154)	\$
			\$ (14,700)
187,610		187,610	
20,040		20,040	
46,029		46,029	
645,219		645,219	13,162
47,573		47,573	
38,667		38,667	
37,049		37,049	50
1,022,187		1,022,187	13,212
838,571	8,462	847,033	(1,488)
2,830,662	4,748	2,835,410	7,467
\$ 3,669,233	\$ 13,210	\$ 3,682,443	\$ 5,979

The accompanying notes are an integral part of the financial statements.

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MONROE COUNTY
BALANCE SHEET - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS

June 30, 2004

MONROE COUNTY
BALANCE SHEET - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS

June 30, 2004

	<u>General Fund</u>	<u>Road And Bridge Fund</u>	<u>Jail Fund</u>	<u>Non- Major Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS					
Cash and Cash Equivalents	\$ 504,350	\$ 878,632	\$ 38,266	\$ 31,233	\$ 1,452,481
Total Assets	<u>\$ 504,350</u>	<u>\$ 878,632</u>	<u>\$ 38,266</u>	<u>\$ 31,233</u>	<u>\$ 1,452,481</u>
FUND BALANCES					
Reserved for:					
Encumbrances	\$ 12,000	\$ 7,000	\$ 5,200	\$	\$ 24,200
Grants		105,709		6,016	111,725
Unreserved:					
General Fund	492,350				492,350
Special Revenue Funds		765,923	33,066	25,217	824,206
Total Fund Balances	<u>\$ 504,350</u>	<u>\$ 878,632</u>	<u>\$ 38,266</u>	<u>\$ 31,233</u>	<u>\$ 1,452,481</u>

Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Assets:

Total Fund Balances	\$ 1,452,481
Amounts Reported For Governmental Activities In The Statement Of Net Assets Are Different Because:	
Capital Assets Used in Governmental Activities Are Not Financial Resources And Therefore Are Not Reported in the Funds.	3,785,069
Accumulated Depreciation	(1,562,383)
Long-term debt is not due and payable in the current period and, therefore, is not reported in the funds.	
Financing Obligations	<u>(5,934)</u>
Net Assets Of Governmental Activities	<u>\$ 3,669,233</u>

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MONROE COUNTY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS

For The Year Ended June 30, 2004

MONROE COUNTY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS

For The Year Ended June 30, 2004

	<u>General Fund</u>	<u>Road And Bridge Fund</u>	<u>Jail Fund</u>	<u>Non- Major Funds</u>	<u>Total Governmental Funds</u>
REVENUES					
Taxes	\$ 851,104	\$	\$	\$	\$ 851,104
In Lieu Tax Payments	41,266				41,266
Excess Fees	47,573				47,573
Licenses and Permits	16,746				16,746
Intergovernmental	518,240	1,464,157	82,783	138,422	2,203,602
Charges for Services	3,100		6,929		10,029
Miscellaneous	114,530	3,132	6,301	6,519	130,482
Interest	11,935	23,461	1,161	492	37,049
Total Revenues	<u>1,604,494</u>	<u>1,490,750</u>	<u>97,174</u>	<u>145,433</u>	<u>3,337,851</u>
EXPENDITURES					
General Government	540,685			11,000	551,685
Protection to Persons and Property	122,413		291,527	47,352	461,292
General Health and Sanitation	433,100			86,158	519,258
Social Services	4,965				4,965
Recreation and Culture	13,162				13,162
Roads		885,418			885,418
Airports				3,000	3,000
Capital Projects		4,164			4,164
Administration	272,419	34,552	25,310		332,281
Total Expenditures	<u>1,386,744</u>	<u>924,134</u>	<u>316,837</u>	<u>147,510</u>	<u>2,775,225</u>
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	<u>217,750</u>	<u>566,616</u>	<u>(219,663)</u>	<u>(2,077)</u>	<u>562,626</u>
Other Financing Sources (Uses)					
Transfers From Other Funds	35,829		220,000	7,293	263,122
Transfers To Other Funds	(227,293)	(35,829)			(263,122)
Total Other Financing Sources (Uses)	<u>(191,464)</u>	<u>(35,829)</u>	<u>220,000</u>	<u>7,293</u>	
Net Change in Fund Balances	26,286	530,787	337	5,216	562,626
Fund Balances - Beginning	478,064	347,845	37,929	26,017	889,855
Fund Balances - Ending	<u>\$ 504,350</u>	<u>\$ 878,632</u>	<u>\$ 38,266</u>	<u>\$ 31,233</u>	<u>\$ 1,452,481</u>

The accompanying notes are an integral part of the financial statements.

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**MONROE COUNTY
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS**

For The Year Ended June 30, 2004

MONROE COUNTY
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS

For The Year Ended June 30, 2004

Reconciliation to the Statement of Activities:

Net Change in Fund Balances - Total Governmental Funds	\$ 562,626
Amounts Reported For Governmental Activities In The Statement Of Activities Are Different Because:	
Governmental Funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.	
Capital Outlay	414,583
Depreciation Expense	(142,598)
Disposal of Fixed Assets	(1,040)
The issuance of long-term debt (e.g. bonds, financing obligations) provides current financial resources to governmental funds, while the repayment of principal on long-term debt consumes the current financial resources of governmental funds. These transactions, however, have no effect on net assets.	
Financing Obligation Principal Payment	<u>5,000</u>
Change in Net Assets of Governmental Activities	<u><u>\$ 838,571</u></u>

The accompanying notes are an integral part of the financial statements.

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MONROE COUNTY
STATEMENT OF FUND NET ASSETS - PROPRIETARY FUND - MODIFIED CASH BASIS

June 30, 2004

MONROE COUNTY
STATEMENT OF FUND NET ASSETS - PROPRIETARY FUND - MODIFIED CASH BASIS

June 30, 2004

	Enterprise Fund
	Jail Canteen Fund
Assets	
Current Assets:	
Cash and Cash Equivalents	\$ 13,210
Total Assets	13,210
Net Assets	
Unrestricted	13,210
Total Net Assets	\$ 13,210

The accompanying notes are an integral part of the financial statements.

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MONROE COUNTY
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS -
PROPRIETARY FUND - MODIFIED CASH BASIS

For The Year Ended June 30, 2004

MONROE COUNTY
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS -
PROPRIETARY FUND - MODIFIED CASH BASIS

For The Year Ended June 30, 2004

	Business-Type Activities - Enterprise Fund
	Jail Canteen Fund
Operating Revenues	
Canteen Receipts	\$ 36,327
Total Operating Revenues	36,327
Operating Expenses	
Cost of Sales	27,865
Total Operating Expenses	27,865
Operating Income	8,462
Change In Fund Net Assets	8,462
Total Fund Net Assets - Beginning	4,748
Total Fund Net Assets - Ending	\$ 13,210

The accompanying notes are an integral part of the financial statements.

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MONROE COUNTY
STATEMENT OF CASH FLOWS - PROPRIETARY FUND - MODIFIED CASH BASIS

For The Year Ended June 30, 2004

MONROE COUNTY
STATEMENT OF CASH FLOWS - PROPRIETARY FUND - MODIFIED CASH BASIS

For The Year Ended June 30, 2004

	Business-Type Activities - Enterprise Fund	Jail Canteen Fund
Cash Flows From Operating Activities		
Receipts From Customers	\$ 36,327	
Cost of Sales	(27,865)	
Net Cash Provided By Operating Activities	8,462	
Net Increase in Cash and Cash Equivalents	8,462	
Cash and Cash Equivalents - July 1	4,748	
Cash and Cash Equivalents - June 30	\$ 13,210	
 Reconciliation of Operating Income to Net Cash Provided by Operating Activities		
Operating Income	\$ 8,462	
Net Cash Provided By Operating Activities	\$ 8,462	

The accompanying notes are an integral part of the financial statements.

**INDEX FOR NOTES
TO THE FINANCIAL STATEMENTS**

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MONROE COUNTY
NOTES TO FINANCIAL STATEMENTS

June 30, 2004

Note 1. Summary of Significant Accounting Policies

A. Basis of Presentation

The county presents its government wide and fund financial statements in accordance with a modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Under this basis of accounting, assets, liabilities, and related revenues and expenditures are recorded when they result from cash transactions, with a few exceptions. This modified cash basis recognizes revenues when received and expenditures when paid. Property tax receivables, accounts payable, compensated absences, and donated assets, among other items, are not reflected in the financial statements. However, financial statements of Monroe County Recreation, Tourist, and Convention Commission, a discretely presented component unit, are prepared on the accrual basis in accordance with accounting principles generally accepted in the United States of America. These financial statements are included in the aggregate discretely presented component unit and remaining fund information opinion unit.

Encumbrances lapse at year-end and are not reflected on the Statement of Net Assets and Statement of Activities; however encumbrances are reflected on the Balance Sheet - Governmental Funds as part of the fund balance (Reserved for Encumbrances), if applicable.

The State Local Finance Officer does not require the county to report capital assets and infrastructure; however the value of these assets are included in the Statement of Net Assets and their corresponding depreciation expense is included on the Statement of Activities.

B. Reporting Entity

The financial statements of Monroe County include the funds, agencies, boards, and entities for which the fiscal court (primary government) is financially accountable. Financial accountability, as defined by Section 2100 of the Governmental Accounting Standards Board (GASB) Codification of Governmental Accounting and Financial Reporting Standards, as amended by GASB 14 and GASB 39, was determined on the basis of the government's ability to significantly influence operations, select the governing authority, participate in fiscal management and the scope of public service. Consequently, the reporting entity includes organizations that are legally separate from the primary government. Legally separate organizations are reported as component units if either the county is financially accountable or their exclusion would cause the county's financial statements to be misleading or incomplete. Component units may be blended or discretely presented. Blended component units either provide their services exclusively or almost entirely to the primary government, or their governing bodies are substantively the same as the primary government. All other component units are discretely presented.

MONROE COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2004
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

B. Reporting Entity (Continued)

Blended Component Unit

Monroe County Fire and Rescue Squad

On March 22, 1995, the Monroe County Fiscal Court (Fiscal Court) created the Monroe County Fire and Rescue Squad, Inc. (Fire and Rescue Squad) to respond to emergency situations. The Fire and Rescue Squad is run by four officers (chief, assistant chief, and two captains) who are elected every two years by members of the Fire and Rescue Squad. However, the four officers have to answer to Fiscal Court. The Fire and Rescue Squad bills and collects a fee for its fire runs. However, this money is turned directly over to the Fiscal Court. The Fiscal Court reimburses the monthly expenses of the Fire and Rescue Squad. In fiscal year 2004, the Fire and Rescue Squad received \$7,293 from Fiscal Court. The Fire and Rescue Squad is fiscally dependent upon the Fiscal Court and the Fiscal Court can impose its will on the entity. Financial information for the Fire and Rescue Squad is blended with Monroe County's financial statements.

Discretely Presented Component Unit

The component unit's columns in the combined financial statements include the following organization. It is reported on the Statement of Net Assets and the Statement of Activities in a separate column that is labeled as "Component Unit" to emphasize the organization's separateness from the fiscal court's primary government.

Monroe County Recreation, Tourist, and Convention Commission

On January 16, 2002, Monroe County Fiscal Court (Fiscal Court) established the Monroe County Recreation, Tourist, and Convention Commission (Commission) pursuant to KRS 91A.350(2) for the purpose of promoting tourism and convention activity in Monroe County. The Commission is composed of seven members appointed by the Monroe County Judge/Executive with the approval of the Fiscal Court. Five members are appointed by the County Judge/Executive from lists submitted by third parties. Two members are appointed at-large by the County Judge/Executive. The Commission's governing body is substantially different from the Fiscal Court. However, the Commission is fiscally dependent on the Fiscal Court because the Fiscal Court controls its major source of revenue. The Commission's major source of revenue is the transient room tax. On January 16, 2002, the Fiscal Court enacted an ordinance imposing a transient room tax. The Fiscal Court currently collects "3% of the gross rent for every occupancy of a suite, room or rooms charged and collected." The Fiscal Court is to issue monthly checks to the Commission. This fiscal dependency requires the Fiscal Court to include the Commission as a component unit. The Commission is not included in any other organization's reporting entity and does not provide services exclusively to the Fiscal Court. Financial information for the Commission is discretely presented in the accompanying financial statements.

MONROE COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2004
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

B. Report Entity (Continued)

Kentucky law provides for election of the noted officials below from the geographic area constituting Monroe County. Pursuant to state statute, these officials perform various services for the Commonwealth of Kentucky, its judicial courts, the fiscal court, various cities and special districts within the county, and the board of education. In exercising these responsibilities, however, they are required to comply with state laws. Audits of their financial statements are issued separately and individually and can be obtained from their respective administrative offices. These financial statements are not required to be included in the financial statements of Monroe County, Kentucky.

- Circuit Court Clerk
- County Attorney
- Property Valuation Administrator
- County Clerk
- County Sheriff

C. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the primary government and its non-fiduciary component units. For the most part, the effect of interfund activities has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on sales, fees, and charges for support. Business-type revenues come mostly from fees charged to external parties for goods or services.

The government-wide statements are reported using the economic resources measurement focus and the modified cash basis of accounting, as do the proprietary and fiduciary fund financial statements. Under this basis of accounting, assets, liabilities, and related revenues and expenditures are recorded when they result from cash transactions, with a few exceptions. Property tax receivables, accounts payable, compensated absences, and donated assets are not reflected in the financial statements. However, financial statements of Monroe County Recreation, Tourist, and Convention Commission, a discretely component unit, are prepared on the accrual basis in accordance with accounting principles generally accepted in United States of America.

The statement of net assets presents the reporting entity's non-fiduciary assets and liabilities, the difference between the two being reported as net assets. Net assets are reported in three categories: 1) invested in capital assets, net of related debt - consisting of capital assets, net of accumulated depreciation and reduced by outstanding balances for debt related to the acquisition, construction, or improvement of those assets; 2) restricted net assets - resulting from constraints placed on net assets by creditors, grantors, contributors, and other external parties, including those constraints imposed by law through constitutional provisions or enabling legislation; and 3) unrestricted net assets - those assets that do not meet the definition of restricted net assets or invested in capital assets.

MONROE COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2004
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

C. Government-wide and Fund Financial Statements (Continued)

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function; 2) operating grants and contributions; and 3) capital grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Internally dedicated resources such as taxes and unrestricted state funds are reported as general revenues.

Funds are characterized as either major or non-major. Major funds are those whose assets, liabilities, revenues, or expenditures/expenses are at least ten percent of the corresponding total (assets, liabilities, etc.) for all funds or type (governmental or proprietary) and whose total assets, liabilities, revenues, or expenditures/expenses are at least five percent of the corresponding total for all governmental and enterprise funds combined. The fiscal court may also designate any fund as major.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major enterprise funds are reported as separate columns in the financial statements.

Governmental Funds

The primary government reports the following major governmental funds:

General Fund - This is the primary operating fund of the fiscal court. It accounts for all financial resources of the general government, except where the Governor's Office for Local Development requires a separate fund or where management requires that a separate fund be used for some function.

Road Fund - This fund is for road and bridge construction and repair. The primary source of revenue for this fund is state payments for truck licenses distribution, municipal road aid, and transportation grants. The Governor's Office for Local Development requires the fiscal court to maintain these receipts and expenditures separately from the General Fund.

Jail Fund - The primary purpose of this fund is to account for the jail expenses of the county. The primary sources of revenue for this fund are reimbursements from the state and federal government, payments from other counties for housing prisoners, and transfers from the General Fund. The Governor's Office for Local Development requires the fiscal court to maintain these receipts and expenditures separately from the General Fund.

MONROE COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2004
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

C. Government-wide and Fund Financial Statements (Continued)

Governmental Funds (Continued)

The primary government also has the following non-major funds: Local Government Economic Assistance Fund, Grants Fund, and Monroe County Fire and Rescue Squad Fund.

Special Revenue Funds:

The Road Fund, Jail Fund, Local Government Economic Assistance Fund, Grants Fund, and Monroe County Fire and Rescue Squad Fund are presented as special revenue funds. These funds are used to account for the proceeds of specific revenue sources and expenditures that are legally restricted for specific purposes.

Generally and except as otherwise provided by law, property taxes are assessed as of January 1, levied (mailed) November 1, due at discount November 30, due at face value December 31, delinquent January 1 following the assessment, and subject to lien and sale the 3rd Saturday in April following the delinquency date.

Proprietary Funds

All proprietary funds are reported using the economic resources measurement focus and the modified cash basis of accounting. Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with proprietary funds' principal ongoing operations. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses. The principal operating revenues of the county's enterprise funds are charges to customers for sales in the Jail Canteen Fund. Operating expenses for the enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. The government has elected not to adopt Financial Accounting Standards Board (FASB) Statements or Interpretations issued after November 30, 1989, unless the Governmental Accounting Standards Board (GASB) specifically adopts such FASB Statements or Interpretations.

The primary government reports the following major proprietary fund:

Jail Canteen Fund - The canteen operations are authorized pursuant to KRS 441.135(1), which allows the jailer to sell snacks, sodas, and other items to inmates. The profits generated from the sale of those items are to be used for the benefit or recreation of the inmates. KRS 441.135(2) requires the jailer to maintain accounting records and report annually to the county treasurer the receipts and disbursements of the Jail Canteen Fund.

Presentation of Component Unit

Presentation of the underlying fund types of the Monroe County Recreation, Tourist, and Convention Commission, a discretely presented component unit of the Monroe County Fiscal Court, is available from the Monroe County Recreation, Tourist, and Convention Commission's separately issued financial statements. Audited financial statements may be requested by contacting Monroe County Recreation, Tourist, and Convention Commission, 202 North Magnolia Street, Tompkinsville, KY 42167.

MONROE COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2004
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

D. Deposits

The government's cash and cash equivalents are considered to be cash on hand, demand deposits, certificates of deposit, and short-term investments with original maturities of three months or less from the date of acquisition.

KRS 66.480 authorizes the county to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

E. Capital Assets

Capital assets, which include land, land improvements, buildings, furniture and office equipment, building improvements, machinery, equipment, and infrastructure assets (roads and bridges) that have a useful life of more than one reporting period based on the government's capitalization policy, are reported in the applicable governmental or business-type activities of the government-wide financial statements. Such assets are recorded at historical cost or estimated historical cost when purchased or constructed.

Under the transition requirements of GASB 34, Metcalfe County was exempted from retroactively applying its capitalization requirements to general infrastructure assets; therefore, only actual cost of additions to infrastructure during fiscal year 2004 has been capitalized. Infrastructure capitalization will also apply for all subsequent years.

Cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's life are not capitalized. Land and Construction In Progress are not depreciated. Interest incurred during construction is not capitalized. Capital assets and infrastructure are depreciated using the straight-line method of depreciation over the estimated useful life of the asset.

	Capitalization Threshold	Useful Life (Years)
Land Improvements	\$ 12,500	10-60
Buildings and Building Improvements	\$ 25,000	10-75
Machinery and Equipment	\$ 2,500	3-25
Vehicles	\$ 2,500	3-25
Infrastructure	\$ 20,000	10-50

MONROE COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2004
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

F. Long-term Obligations

In the government-wide financial statements and proprietary fund types in the fund financial statements, long term debt and other long-term obligations are reported as liabilities in the applicable financial statements. The principal amount of bonds, notes and financing obligations are reported.

In the fund financial statements, governmental fund types recognize bond interest, as well as bond issuance costs when received or when paid, during the current period. The principal amount of the debt and interest is reported as expenditures. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as expenditures. Debt proceeds are reported as other financing sources.

G. Fund Equity

In the fund financial statements, the difference between the assets and liabilities of governmental funds is reported as fund balance. Fund balance is divided into reserved and unreserved components, with unreserved considered available for new spending. Unreserved fund balances may be divided into designated and undesignated portions. Designations represent fiscal court's intended use of the resources and should reflect actual plans approved by the fiscal court.

Governmental funds report reservations of fund balance for amounts that are legally restricted by outside parties for use for a specific purpose, long-term receivables, and encumbrances.

"Reserved for Encumbrances" are purchase orders that will be fulfilled in a subsequent fiscal period. Although the purchase order or contract creates a legal commitment, the fiscal court incurs no liability until performance has occurred on the part of the party with whom the fiscal court has entered into the arrangement. When a government intends to honor outstanding commitments in subsequent periods, such amounts are encumbered. Encumbrances lapse at year-end and are not reflected on the Statement of Net Assets and Statement of Activities; however, encumbrances are reflected on the Balance Sheet - Governmental Funds as part of the fund balance, if applicable.

H. Budgetary Information

Annual budgets are adopted on a cash basis of accounting and according to the laws of Kentucky as required by the State Local Finance Officer.

The County Judge/Executive is required to submit estimated receipts and proposed expenditures to the fiscal court by May 1 of each year. The budget is prepared by fund, function, and activity and is required to be adopted by the fiscal court by July 1.

The fiscal court may change the original budget by transferring appropriations at the activity level; however, the fiscal court may not increase the total budget without approval by the State Local Finance Officer. Expenditures may not exceed budgeted appropriations at the activity level.

I. Related Organizations

A related organization is an entity for which a primary government is not financially accountable. It does not impose will or have a financial benefit or burden relationship, even if the primary government appoints a voting majority of the related organization's governing board. Based on these criteria, the following are considered related organizations of Monroe County Fiscal Court: Monroe County Water District, Fountain Run Water District, and Monroe County Ambulance Taxing District.

MONROE COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2004
(Continued)

Note 2. Deposits

The primary government and component unit maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC). According to KRS 66.480(1)(d) and KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the county and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution. These requirements were met, and as of June 30, 2004, the primary government and component unit's deposits were fully insured or collateralized at a 100% level with collateral of pledged securities held by the county's agent in the county's name.

Note 3. Capital Assets

Capital asset activity for the year ended June 30, 2004 was as follows:

	Reporting Entity			Ending Balance
	Beginning Balance	Increases	Decreases	
Primary Government:				
<u>Governmental Activities:</u>				
Capital Assets Not Being Depreciated:				
Land	\$ 32,200	\$	\$	\$ 32,200
Total Capital Assets Not Being Depreciated	32,200			32,200
Capital Assets, Being Depreciated:				
Buildings	2,447,186			2,447,186
Other Equipment	499,875	19,707		519,582
Vehicles and Equipment	392,265	8,800	(1,040)	400,025
Infrastructure		386,076		386,076
Total Capital Assets Being Depreciated	3,339,326	414,583	(1,040)	3,752,869
Less Accumulated Depreciation For:				
Buildings	(987,535)	(46,158)		(1,033,693)
Other Equipment	(269,304)	(41,711)		(311,015)
Vehicles and Equipment	(162,946)	(22,556)		(185,502)
Infrastructure		(32,173)		(32,173)
Total Accumulated Depreciation	(1,419,785)	(142,598)		(1,562,383)
Total Capital Assets, Being Depreciated, Net	1,919,541	271,985	(1,040)	2,190,486
Government Activities Capital Assets, Net	\$ 1,951,741	\$ 271,985	\$ (1,040)	\$ 2,222,686

MONROE COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2004
(Continued)

Note 3. Capital Assets (Continued)

Depreciation expense was charged to functions of the primary government as follows:

Governmental Activities:

General Government	36,581
Protection to Persons and Property	20,955
Social Services	4,756
Roads, Including Depreciation of General Infrastructure Assets	<u>80,306</u>
Total Depreciation Expense - Governmental Activities	<u><u>\$ 142,598</u></u>

Note 4. Long-term Debt

A. Monroe County Fire and Rescue, Inc.

On March 9, 2001, the Monroe County Fire and Rescue, Inc. entered into a promissory note with Edmonton State Bank. The note was for the purchase of a fire truck. The principal was \$23,034 at initial interest rate of 8.75%. Principal outstanding as of June 30, 2004, was \$5,934. Future principal requirements are:

Fiscal Year Ended June 30	Governmental Activities	
	Principal	Interest
2005	\$ 5,000	8.25% - 19%
2006	934	8.25% - 19%
Totals	<u><u>\$ 5,934</u></u>	

B. Changes in Long-term Liabilities

Long-term liability activity for the year ended June 30, 2004, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<u>Governmental Activities:</u>					
Financing Obligations	\$ 10,934	\$	\$ 5,000	\$ 5,934	\$ 5,000
Governmental Activities Long-term Liabilities	<u><u>\$ 10,934</u></u>	<u><u>\$</u></u>	<u><u>\$ 5,000</u></u>	<u><u>\$ 5,934</u></u>	<u><u>\$ 5,000</u></u>

MONROE COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2004
(Continued)

Note 5. Interest On Financing Obligations

Protection to Persons and Property on the Statement of Activities includes \$578 in interest on a financing obligation.

Note 6. Employee Retirement System

The fiscal court has elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a cost sharing, multiple-employer defined benefit pension plan, which covers all eligible full-time employees and provides for retirement, disability, and death benefits to plan members. Benefit contributions and provisions are established by statute. Nonhazardous covered employees are required to contribute 5 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 7.34 percent.

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65.

Historical trend information showing the CERS' progress in accumulating sufficient assets to pay benefits when due is presented in the Kentucky Retirement Systems' annual financial report. This report may be obtained by writing the Kentucky Retirement System, 1260 Louisville Road, Frankfort, Kentucky 40601-6124, or by telephone at (502) 564-4646.

Note 7. Deferred Compensation

On March 21, 2001, the Monroe County Fiscal Court voted to allow all full time employees to participate in deferred compensation plans administered by The Kentucky Public Employees' Deferred Compensation Authority. The Kentucky Public Employees' Deferred Compensation Authority is authorized under KRS 18A.230 to 18A.275 to provide administration of tax sheltered supplemental retirement plans for all state, public school and university employees and employees of local political subdivisions that have elected to participate. These deferred compensation plans permit all full time employees to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. Participation by eligible employees in the deferred compensation plans is voluntary.

Historical trend information showing the Kentucky Public Employees' Deferred Compensation Authority's progress in accumulating sufficient assets to pay benefits when due is presented in the Kentucky Public Employees' Deferred Compensation Authority's annual financial report. This report may be obtained by writing the Kentucky Public Employees' Deferred Compensation Authority, 105 Sea Hero Road, Suite 1, Frankfort, Kentucky, 40601-8862, or by telephone at (502) 573-7925.

Note 8. Insurance

For the fiscal year ended June 30, 2004, Monroe County was a member of the Kentucky Association of Counties' All Lines Fund (KALF). KALF is a self-insurance fund and was organized to obtain lower cost coverage for general liability, property damage, public officials' errors and omissions, public liability, and other damages. The basic nature of a self-insurance program is that of a collectively shared risk by its members. If losses incurred for covered claims exceed the resources contributed by the members, the members are responsible for payment of the excess losses.

MONROE COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2004
(Continued)

Note 9. Changes In Accounting Principles

The county has elected to implement Governmental Accounting Standards Board (GASB) Statements 33, 34 and 37, as they relate to the modified cash basis of accounting as described in Note 1, which has altered the format and content of the basic financial statements. The effect of this change on the beginning net assets of the governmental type activities is as follows:

	<u>Governmental Activities</u>
Beginning Balance	\$ 889,855
Capital Assets (net of accumulated depreciation) previously omitted	1,951,741
Long-Term Debt previously omitted	(10,934)
Total Restated Beginning Balance	<u>\$ 2,830,662</u>

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MONROE COUNTY
BUDGETARY COMPARISON SCHEDULES
Required Supplementary Information - Modified Cash Basis
For The Year Ended June 30, 2004

MONROE COUNTY
BUDGETARY COMPARISON SCHEDULES
Required Supplementary Information - Modified Cash Basis

For The Year Ended June 30, 2004

	GENERAL FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Taxes	\$ 713,500	\$ 763,500	\$ 851,104	\$ 87,604
In Lieu Tax Payments	27,000	27,000	41,266	14,266
Excess Fees	25,000	25,000	47,573	22,573
Licenses and Permits	10,200	10,200	16,746	6,546
Intergovernmental Revenue	994,670	1,044,670	518,240	(526,430)
Charges for Services	1,000	1,000	3,100	2,100
Miscellaneous	92,000	92,000	114,530	22,530
Interest	10,000	10,000	11,935	1,935
Total Revenues	<u>1,873,370</u>	<u>1,973,370</u>	<u>1,604,494</u>	<u>(368,876)</u>
EXPENDITURES				
General Government	525,728	556,926	540,685	16,241
Protection to Persons and Property	103,620	118,722	122,413	(3,691)
General Health and Sanitation	920,000	983,363	433,100	550,263
Social Services	8,000	8,000	4,965	3,035
Recreation and Culture	10,000	13,162	13,162	
Administration	307,999	295,174	272,419	22,755
Total Expenditures	<u>1,875,347</u>	<u>1,975,347</u>	<u>1,386,744</u>	<u>588,603</u>
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	<u>(1,977)</u>	<u>(1,977)</u>	<u>217,750</u>	<u>219,727</u>
OTHER FINANCING SOURCES (USES)				
Transfers From Other Funds	35,829	35,829	35,829	
Transfers To Other Funds	(233,852)	(233,852)	(227,293)	6,559
Total Other Financing Sources (Uses)	<u>(198,023)</u>	<u>(198,023)</u>	<u>(191,464)</u>	<u>6,559</u>
Net Changes in Fund Balance	(200,000)	(200,000)	26,286	226,286
Fund Balance - Beginning	<u>200,000</u>	<u>200,000</u>	<u>478,064</u>	<u>278,064</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 504,350</u>	<u>\$ 504,350</u>

MONROE COUNTY
BUDGETARY COMPARISON SCHEDULES
Required Supplementary Information - Modified Cash Basis
For The Year Ended June 30, 2004
(Continued)

	ROAD FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental Revenue	\$ 711,434	\$ 711,434	\$ 1,464,157	\$ 752,723
Miscellaneous			3,132	3,132
Interest	5,000	5,000	23,461	18,461
Total Revenues	<u>716,434</u>	<u>716,434</u>	<u>1,490,750</u>	<u>774,316</u>
EXPENDITURES				
Roads	612,705	988,973	885,418	103,555
Capital Projects	30,000	4,164	4,164	
Administration	37,900	35,313	34,552	761
Total Expenditures	<u>680,605</u>	<u>1,028,450</u>	<u>924,134</u>	<u>104,316</u>
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	<u>35,829</u>	<u>(312,016)</u>	<u>566,616</u>	<u>878,632</u>
OTHER FINANCING SOURCES (USES)				
Transfers To Other Funds	<u>(35,829)</u>	<u>(35,829)</u>	<u>(35,829)</u>	
Total Other Financing Sources (Uses)	<u>(35,829)</u>	<u>(35,829)</u>	<u>(35,829)</u>	
Net Changes in Fund Balance		(347,845)	530,787	878,632
Fund Balance - Beginning		<u>347,845</u>	<u>347,845</u>	
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 878,632</u>	<u>\$ 878,632</u>

MONROE COUNTY
BUDGETARY COMPARISON SCHEDULES
Required Supplementary Information - Modified Cash Basis
For The Year Ended June 30, 2004
(Continued)

	JAIL FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental Revenue	\$ 57,200	\$ 65,056	\$ 82,783	\$ 17,727
Charges for Services	4,700	4,700	6,929	2,229
Miscellaneous	2,000	2,000	6,301	4,301
Interest	500	500	1,161	661
Total Revenues	<u>64,400</u>	<u>72,256</u>	<u>97,174</u>	<u>24,918</u>
EXPENDITURES				
Protection to Persons and Property	267,502	315,069	291,527	23,542
Debt Service				
Capital Projects				
Administration	30,750	28,968	25,310	3,658
Total Expenditures	<u>298,252</u>	<u>344,037</u>	<u>316,837</u>	<u>27,200</u>
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	<u>(233,852)</u>	<u>(271,781)</u>	<u>(219,663)</u>	<u>52,118</u>
OTHER FINANCING SOURCES (USES)				
Transfers From Other Funds	233,852	233,852	220,000	(13,852)
Transfers To Other Funds				
Total Other Financing Sources (Uses)	<u>233,852</u>	<u>233,852</u>	<u>220,000</u>	<u>(13,852)</u>
Net Changes in Fund Balance		(37,929)	337	38,266
Fund Balance - Beginning		<u>37,929</u>	<u>37,929</u>	
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 38,266</u>	<u>\$ 38,266</u>

MONROE COUNTY
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

June 30, 2004

Budgetary Information

Annual budgets are adopted on a cash basis of accounting and according to the laws of Kentucky as required by the State Local Finance Officer.

The County Judge/Executive is required to submit estimated receipts and proposed expenditures to the fiscal court by May 1 of each year. The budget is prepared by fund, function, and activity and is required to be adopted by the fiscal court by July 1.

The fiscal court may change the original budget by transferring appropriations at the activity level; however, the fiscal court may not increase the total budget without approval by the State Local Finance Officer. Expenditures may not exceed budgeted appropriations at the activity level.

**MONROE COUNTY
COMBINING BALANCE SHEET -
NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
Other Supplementary Information**

June 30, 2004

MONROE COUNTY
COMBINING BALANCE SHEET -
NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
Other Supplementary Information

June 30, 2004

	Local Government Economic Assistance Fund	Grants Fund	Monroe County Fire And Rescue Squad Fund	Total Non-Major Governmental Funds
ASSETS				
Cash and Cash Equivalents	\$ 16,168	\$ 6,016	\$ 9,049	\$ 31,233
Total Assets	<u>\$ 16,168</u>	<u>\$ 6,016</u>	<u>\$ 9,049</u>	<u>\$ 31,233</u>
FUND BALANCES				
Reserved:				
Encumbrances	\$	\$	\$	\$
Grants		6,016		6,016
Unreserved:				
Special Revenue Funds	<u>16,168</u>		<u>9,049</u>	<u>25,217</u>
Total Fund Balances	<u>\$ 16,168</u>	<u>\$ 6,016</u>	<u>\$ 9,049</u>	<u>\$ 31,233</u>

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MONROE COUNTY
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
Other Supplementary Information
For The Year Ended June 30, 2004

MONROE COUNTY
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
Other Supplementary Information

For The Year Ended June 30, 2004

	Local Government Economic Assistance Fund	Grants Fund	Monroe County Fire And Rescue Squad Fund	Total Non-Major Governmental Funds
REVENUES				
Intergovernmental	\$ 16,068	\$ 114,104	\$ 8,250	\$ 138,422
Charges For Services			6,519	6,519
Interest	478	14		492
Total Revenues	<u>16,546</u>	<u>114,118</u>	<u>14,769</u>	<u>145,433</u>
EXPENDITURES				
General Government	11,000			11,000
Protection to Persons and Property	4,000	21,945	21,408	47,353
General Health and Sanitation		86,157		86,157
Airports	3,000			3,000
Total Expenditures	<u>18,000</u>	<u>108,102</u>	<u>21,408</u>	<u>147,510</u>
Excess (deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	<u>(1,454)</u>	<u>6,016</u>	<u>(6,639)</u>	<u>(2,077)</u>
OTHER FINANCING SOURCES (USES)				
Transfers From Other Funds			7,293	7,293
Total Other Financing Sources (Uses)			<u>7,293</u>	<u>7,293</u>
Net Change in Fund Balances	(1,454)	6,016	654	5,216
Fund Balances - Beginning	17,622		8,395	26,017
Fund Balances - Ending	<u>\$ 16,168</u>	<u>\$ 6,016</u>	<u>\$ 9,049</u>	<u>\$ 31,233</u>

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**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**



CRIT LUALLEN
AUDITOR OF PUBLIC ACCOUNTS

The Honorable Wilbur Graves, Monroe County Judge/Executive
Members of the Monroe County Fiscal Court

Report On Internal Control Over Financial Reporting And
On Compliance And Other Matters Based On An Audit Of Financial
Statements Performed In Accordance With Government Auditing Standards

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate discretely presented component unit and remaining fund information of Monroe County, Kentucky as of and for the year ended June 30, 2004, which collectively comprise the County's basic financial statements and have issued our report thereon dated June 23, 2005. We did not audit the financial statements of the Monroe County Recreation, Tourist, and Convention Commission. Other auditors whose report has been furnished to us audited those financial statements. Monroe County presents its financial statements on the modified cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Monroe County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Monroe County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.



Report On Internal Control Over Financial Reporting
And On Compliance And Other Matters Based On An Audit Of Financial
Statements Performed In Accordance With Government Auditing Standards
(Continued)

This report is intended solely for the information and use of Monroe County Fiscal Court, management, and the Kentucky Governor's Office for Local Development and is not intended to be and should not be used by anyone other than the specified parties.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Crit Luallen", with a long horizontal flourish extending to the right.

Crit Luallen
Auditor of Public Accounts

Audit fieldwork completed -
June 23, 2005

**CERTIFICATION OF COMPLIANCE -
LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM**

MONROE COUNTY FISCAL COURT

**For The Fiscal Year Ended
June 30, 2004**

Appendix A

CERTIFICATION OF COMPLIANCE

LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM

MONROE COUNTY FISCAL COURT

For The Fiscal Year Ended June 30, 2004

The Monroe County Fiscal Court hereby certifies that assistance received from the Local Government Economic Assistance Program was expended for the purpose intended as dictated by the applicable Kentucky Revised Statutes.



Name

County Judge/Executive



Name

County Treasurer